

# BUDGET LETTER

<b>SUBJECT:</b> LATE PAYMENT PENALTY RATES	<b>NUMBER:</b> 11-15
<b>REFERENCES:</b> GOVERNMENT CODE SECTION 927 ET SEQ.; STATE ADMINISTRATIVE MANUAL SECTION 8474 ET SEQ.	<b>DATE ISSUED:</b> July 20, 2011
	<b>SUPERSEDES:</b> BL 10-35

TO: Agency Secretaries  
Department Directors  
Departmental Budget Officers  
Departmental Accounting Officers  
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

This Budget Letter (BL) advises state departments of the current late payment penalty rates.

The California Prompt Payment Act (Act), Government Code (GC) section 927 et seq., requires state departments to automatically calculate and pay the appropriate late payment penalties if they fail to pay properly submitted, undisputed invoices or grants for victim services or prevention programs, and refunds or other undisputed payments due to individuals on the date required by the Act. The Act applies to invoices for goods and/or services acquired by state departments and specific grant claims.

The Act requires different rates for penalty payments paid as follows:

- A. Small businesses, nonprofit organizations, nonprofit public benefit corporations, including grantees that provide victim services and prevention programs as defined in GC section 927.2.
- B. Other businesses, including local government grantees that provide victim services or prevention programs as defined in GC section 927.2.
- C. Refunds or other payments due to individuals.

## Penalty Payment Chart

Description	Interest Penalty Threshold		Penalties Incurred FY 2010-11 (7/1/10-10/18/10) Rate	Penalties Incurred FY 2010-11 (10/19/10-6/30/11) Rate	Penalties Incurred FY 2011-12 Rate	
<b>A)</b> -Small Businesses -Nonprofit Organizations -Nonprofit Public Benefit Corporations	Greater than \$10		91.25% 0.0025	13.25% 0.000363	13.25% 0.000363	Annual rate Daily rate
<b>B)</b> -Other Businesses	Greater than \$100		1.65% 0.0000452	1.528% 0.0000419	1.37% 0.0000375	Annual rate Daily rate
<b>C)</b> -Refunds -Other payments due to Individuals	Not applicable		Not applicable for FY 2010-11	Not applicable for FY 2010-11	Not applicable for FY 2011-12	Annual rate Daily rate

The penalty payment is related to the fiscal year the penalty is incurred, not the fiscal year the invoice is payable from.

- Penalties incurred in the prior fiscal year (prior July 1 to June 30) are prior year expenditures. The penalty is calculated at one of the prior year rates and paid from a prior year appropriation. (Refer to Penalty Payment Chart).
- Penalties incurred in the current fiscal year (July 1 forward) are current year expenditures. The penalty is calculated at the current year rate and paid from a current year appropriation.

To calculate late payment penalties, multiply the amount due (gross amount of invoice less taxes) by the applicable daily penalty rate, as shown in the Penalty Payment Chart. The daily penalty is then multiplied by the number of calendar days the payment is late to calculate the total penalty amount.

For additional information, please refer to the State Administrative Manual section 8474 et seq. and the Department of Finance, Fiscal Systems and Consulting Unit (FSCU) website:  
<http://www.dof.ca.gov/accounting/fscu/>

If you have questions regarding this BL or other fiscal year rates, please contact the FSCU Hotline at (916) 324-0385 or by e-mail at [FSCUHotline@dof.ca.gov](mailto:FSCUHotline@dof.ca.gov).

/s/ Veronica Chung-Ng

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